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| |  | | --- | | EQUITIES | | TRIP US Outperform  Price (at 03:00, 07 Sep 2018 GMT) US$50.63 |      |  |  |  | | --- | --- | --- | | Valuation | US$ | 58.00 | | - EV/EBITDA | | | | 12-month target | US$ | 58.00 | | 12-month TSR | % | +14.6 | | GICS sector | Retailing | | | Market cap | US$m | 6,964 | | 30-day avg turnover | US$m | 63.1 | | Number shares on issue | m | 137.5 |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | | Investment fundamentals | | | | | | | | | | Year end 31 Dec |  | | 2017A | | 2018E | | 2019E | 2020E | | Revenue | | m | | 1,556.0 | | 1,645.8 | 1,800.3 | 1,915.2 | | EBITDA | | m | | 332.0 | | 397.6 | 445.3 | 484.9 | | EBITDA growth | | % | | -5.7 | | 19.7 | 12.0 | 8.9 | | EV/EBITDA | | x | | 19.2 | | 15.8 | 14.1 | 13.0 | | P/BV | x | | 5.2 | | 4.7 | | 3.8 | 3.0 |   TRIP US vs S&P 500, & rec history    Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.  Source: FactSet, Macquarie Research, September 2018  (all figures in USD unless noted) |
| **Analysts**    Macquarie Capital (USA) Inc.   |  |  | | --- | --- | |  | [Matthew Brooks](https://www.macquarieresearch.com/directory/people/details?analystId=2968), CFA +1 212 231 1585  [matthew.brooks@macquarie.com](mailto:matthew.brooks@macquarie.com) | |

TripAdvisor (TRIP US)

Viator listing update for August 2018

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| Key points   * Viator’s bookable inventory grew 5.4% MoM to ~140k listings in August 2018. * Driven by India’s 12.5% growth, Asia was a key growth region, up 7.2% MoM. * Our listing count is less than the numbers TRIP reports, as seasonal listings are in in the reported count, but may not be “live” on Viator.com. |

Event

* We publish Viator inventory data for August 2018. We show the Top 60 countries by listings, which account for nearly 92% of Viator’s bookable inventory.

Impact

* **Viator growth contined in August**. We counted ~140k listings at the end of August, 2018. This is a rise of around 7k, or 5.4% growth on the prior month. This compares to 3.1% growth in the month of June 2018, and 15.5% in July.
* **Key growth drivers by region**. Asia (30% of listings) was the key growth region with a 7.2% rise in listings (MoM). Europe (32% of listings) was up 4.4%, with the Americas (25% of listings) up 5.3% and Africa (8% of listings) up 8.9%.
* **Broad global growth**. Growth was broad based with listings up in over 125 countries and 17 adding over 100 new listings. Key contributors in August were the USA (724), India (667), Egypt (460), China (333) and Italy (304). Despite economic woes, Turkey (#13 by listings) added 92 new listings (+4.4%).
* **Comparison of our count to TripAdvisor number**. We began counting Viator listings in May 2018. The 2Q18 result was the first time we could compare our count to the number reported by TRIP (121k for 2Q18). The reported count is 6k, or 5% higher than our 115k count on June 28, 2018. Based on feedback from TRIP we believe the difference is seasonal listings that are in TRIP’s count, but may not be “live” on Viator the off-season (e.g. skiing products in the summer).
* **Recap of latest reported data**. In 2Q18, bookable listings rose 98% YoY to 121k. This is 12.4% of TripAdvisor’s 975k Attraction & Tour pages. Revenue in non-hotel was up 22% in 2Q18 (was 34% in 1Q18), with EBITDA margins down 68bps to 16.7%, as operating cost of 23% was slightly ahead of revenue growth.

Earnings and target price revision

* No change.

Price catalyst

* 12-month price target: US$58.00 based on a EV/EBITDA methodology.
* Catalyst: 3Q18e results

Action and recommendation

* **Outperform maintained**. We think rapid growth in TripAdvisor’s world-leading Experiences segment can drive long term value creation for shareholders.

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| Fig 1 Geographical mix of Viator’s bookable inventory in August, 2018 (US is 11.0% of listings) |
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| Source: Viator.com, Macquarie Capital (USA), September 2018 |

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| Fig 2 Driven by India & China, Asia is the largest contributor to growth in Viator listings in August |
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| Source: Viator.com, Macquarie Capital (USA), September 2018 |
| Fig 3 Viator’s bookable inventory – Top 60 countries account for nearly 92% of listings | | |
|  | | |
| Source: Viator.com, Macquarie Capital (USA), September 2018 | | |

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| Fig 3 ”Day Trips” are the most popular listing, but the most growth is in “Cultural & Theme Tours” |
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| Source: Viator.com, Macquarie Capital (USA), September 2018 |

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| Fig 4 TripAdvisor’s reported bookable inventory growth accelerated to 98% YoY to 121k in 2Q18 |
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| Source: Company data, Macquarie Capital (USA), September 2018 |

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| Fig 5 Viator’s bookable attractions are 12.4% of the 975k Attraction & Tour pages on TripAdvisor |
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| Source: Company data, Macquarie Capital (USA), September 2018 |

Important disclosures:

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| Recommendation definitions  Macquarie - Australia/New Zealand  Outperform – return >3% in excess of benchmark return  Neutral – return within 3% of benchmark return  Underperform – return >3% below benchmark return  Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield, which is currently around 9%.  Macquarie – Asia/Europe  Outperform – expected return >+10%  Neutral – expected return from -10% to +10%  Underperform – expected return <-10%  Mazi Macquarie – South Africa  Outperform – expected return >+10%  Neutral – expected return from -10% to +10%  Underperform – expected return <-10%  Macquarie - Canada  Outperform – return >5% in excess of benchmark return  Neutral – return within 5% of benchmark return  Underperform – return >5% below benchmark return  Macquarie - USA  Outperform (Buy) – return >5% in excess of Russell 3000 index return  Neutral (Hold) – return within 5% of Russell 3000 index return  Underperform (Sell)– return >5% below Russell 3000 index return | Volatility index definition\*  This is calculated from the volatility of historical price movements.  Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.  High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.  Medium – stock should be expected to move up or down at least 30–40% in a year.  Low–medium – stock should be expected to move up or down at least 25–30% in a year.  Low – stock should be expected to move up or down at least 15–25% in a year.  \* Applicable to Asia/Australian/NZ/Canada stocks only  Recommendations – 12 months  Note: Quant recommendations may differ from Fundamental Analyst recommendations | Financial definitions  All "Adjusted" data items have had the following adjustments made:  Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense  Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests  EPS = adjusted net profit / efpowa\*  ROA = adjusted ebit / average total assets  ROA Banks/Insurance = adjusted net profit /average total assets  ROE = adjusted net profit / average shareholders funds  Gross cashflow = adjusted net profit + depreciation  \*equivalent fully paid ordinary weighted average number of shares  All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards). |
| Recommendation proportions – For quarter ending 30 June 2018  AU/NZ Asia RSA USA CA EUR  Outperform 52.87% 61.26% 48.86% 47.54% 69.86% 46.61% (for global coverage by Macquarie, 3.51% of stocks followed are investment banking clients)  Neutral 34.10% 27.25% 36.36% 46.72% 21.92% 43.22% (for global coverage by Macquarie, 2.10% of stocks followed are investment banking clients)  Underperform 13.03% 11.49% 14.77% 5.74% 8.22% 10.17% (for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients) | | |

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| |  |  |  | | --- | --- | --- | | TRIP US vs S&P 500, & rec history    (all figures in USD currency unless noted) |  |  | |  |  |  |   Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.  Source: FactSet, Macquarie Research, September 2018 |

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| 12-month target price methodology  TRIP US: US$58.00 based on a EV/EBITDA methodology |

Company-specific disclosures:

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Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

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| Date | Stock Code (BBG code) | Recommendation | Target Price |
| 02-Aug-2018 | TRIP US | Outperform | US$58.00 |
| 28-Jul-2018 | TRIP US | Outperform | US$73.00 |
| 16-May-2018 | TRIP US | Outperform | US$60.00 |
| 17-Feb-2018 | TRIP US | Underperform | US$34.00 |
| 11-Nov-2017 | TRIP US | Underperform | US$27.00 |
| 26-May-2017 | TRIP US | Underperform | US$33.00 |
| 17-Feb-2017 | TRIP US | Neutral | US$52.00 |
| 10-Nov-2016 | TRIP US | Neutral | US$58.00 |
| 05-Aug-2016 | TRIP US | Neutral | US$67.00 |
| 06-May-2016 | TRIP US | Neutral | US$70.00 |
| 12-Feb-2016 | TRIP US | Neutral | US$71.00 |
| 06-Nov-2015 | TRIP US | Neutral | US$80.00 |
| 27-Oct-2015 | TRIP US | Neutral | US$84.00 |

Target price risk disclosures:

**TRIP US:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

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